

Wholesale Electricity Market Rule Change Proposal Submission

RC_2018_07

Removal of constrained off compensation for Outages of network equipment

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: support@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

1. Please provide your views on the proposal, including any objections or suggested revisions.

Bluewaters broadly supports the intent of the proposed rule change. The materiality of payments that Market Customers were exposed to in the situation that occurred in March and April 2018, primarily as a result of 3 weeks planned Western Power works (approx. \$6m over Q1 & Q2), is a clear unintended consequence of the rules design. A perverse outcome is created whereby Non Scheduled Market Generators¹ become incentivised to be constrained off with the resulting compensation being significantly more than had they been able to export their generation.

Such costs are ultimately borne by Market Customers and end consumers to the extent that they are able to be passed through. Such a price shock, which was also unforecastable by Market Customers, assigns the cost of this perverse outcome to parties wholly unrelated to the incident or situation.

¹ Scheduled Generators are not incentivised in such a situation of Network Outages due to the requirement to lodge an Outage when the facility is unable to export energy and notify System Management of the Consequential Outage

Market Generators have always been exposed to export limitations by the Network Operator. The existing rule requirements for Scheduled Generators provided adequate protection against constrained off payments in network outage situations. The issue has been partly created² from the inconsistency of rules applied to Non-Scheduled Generators. Bluewaters feel that “Option 1 – Consequential Outage” provided the best option to align all Generators, however acknowledge that the rule and system changes to implement that option would be more complex. For this reason, Bluewaters supports “Option 3 – Operating Instruction” as the most appropriate to fast track the required change.

2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.

Bluewaters agree with the PUO assessment on the ability for the rule change to deliver the Wholesale Market Objectives. Removing unwarranted constrained off compensation to promote efficient supply of electricity, achieving consistency of constraint compensation between Scheduled and Non-Scheduled Generators and reducing excessive costs applied to Market Customers and end consumers.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

As a Scheduled Generator, Bluewaters is already required to adhere to rule 3.21 should its facility be exposed to Network Outages. System procedural changes will be required to incorporate the rule change but the costs to do so are considered minimal.

The inclusion of 7.7.7B is welcome as this removes the obligation to confirm receipt of Operating Instructions which would have created unnecessary process burden for the purpose of the rule change.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

The application of the proposed rule change will only add slightly increased administrative burden to Bluewaters in addition to the existing requirements under Outage rules.

As a Market Customer, there will be offsetting time previously spent attempting to verify constrained off charges applicable to Bluewaters.

² Broader questions of SRMC and the Minimum STEM Price of -\$1000 are applicable, however it is noted that addressing broader questions such as these have been excluded from the rule change to expedite its progress. These broader questions have been added to the MAC Market Rules Issues List.